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Reply to
Nashville Office

April 20, 2004

Chairman Deborah Taylor Tate
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243-0505

RE: IRM Utility, Inc. Petition to amend Certificate of Convenience and Necessity
Docket No. 04-00101

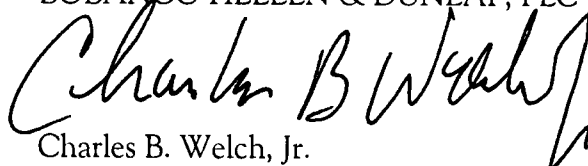
Dear Chairman Tate:

Please find enclosed for filing, an original and 14 copies of IRM Utility's responses to the data request in the above referenced matter. Please date stamp one copy for my records.

Thank you for your assistance regarding this matter. If you have any questions, or if I may be of further assistance, please do not hesitate to contact me.

Very truly yours,

FARRIS MATHEWS BRANAN
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CBW/ale

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RE: IRM Utility, Inc. Petition to amend Certificate of Convenience and Necessity
Docket No. 04-00101

Dear Chairman Tate:

On behalf of our client, Integrated Resource Management Utility, Inc. ("IRM"), we provide the following responses to the data request dated April 6, 2004.

1. **Request:** The Company refers to a rate of \$34.95 for residential service. Provide three year projected financial statements (i.e. income statement, balance sheet, etc.) for this development. Also, provide any supporting documentation for the amounts referenced in the financial statements

Response: Requested documents are attached as Exhibit 1.

2. **Request:** Will there be any commercial customers located within this development?

Response: No.

3. **Request:** How many customers are there predicted to be at build out of the development? Also, provide the projected three year customer growth rate.

Response: It is anticipated that the sixty-three (63) lot subdivision will result in sixty-three (63) customers, assuming one residential unit per lot. The rate of build out for the next three years is

anticipated to be five (5) for 2004 and ten (10) for 2005 and 2006.

4. **Request:** Will there be any other fees that the Company's proposed ratepayers be subjected to pay? If so, please list all that would apply.

Response: A system access fee \$84.00 for each unsold lot will be charged to the developer. This cost will be transferred to the purchaser of each lot until construction is complete and service is provided. The significance of this charge is indicated in the projected financial statements in Section 1 above.

5. **Request:** Does the Company propose to levy a tap fee to any of its proposed customers? If so, how much and provide supporting documentation for the tap fees? Does the Company plan to give back any of the tap fees to the developer of the proposed service area?

Response: The proposed tap fee is \$1,250.00 per connection. This is based on the cost below:

- A. Initial Site Specific Engineer Visit with Contractor:
4 hours @ \$75.00 per hour.
- B. Inspection of Open Ditches, Tanks, Controls:
3 hours @ \$75.00 per hour
- C. Pressure Testing Lines & Leaks Testing Tanks:
3 hours @ \$75.00 per hour
- D. Incidental Budgeted Re-check if Necessary:
3 hours @ \$55.00 per hour
- E. Equipment and Materials:
(Laser Levels, Electronic Distance Measuring, Gauges) \$265.00
- F. Administrative Costs for Contracting and Education of the Use of Biological Systems:
4 hours @ \$17.50 per hour.

Yes, a portion of the tap fee will be refunded as per the schedule on Page 4 of the approved Tariff.

6. **Request:** Does the Company intend to use the existing rules and regulations that would govern this development?

Response: Yes.

7. **Request:** Who is the developer of the proposed service area? Does the Company or any shareholder of the Company have any business relationship with the developer? If so, describe the nature of the relationship.

Response: Landhaven, LLC, 621 Emory River Road, Harriman, Tennessee 37748 (local address) and 312 Kingston Avenue, Rome, Georgia 30161 (home address) is the developer of the proposed service area. There is no other business relationship with the developer other than providing wastewater services.

8. **Request:** Are there any existing or proposed franchise agreements between the utility and any governmental entity covering the requested service territory?

Response: No, none are required.

9. **Request:** Does the Company plan to use any debt to finance the operation of the proposed development? If so, has the Company requested approval of debt financing by this Authority as required under T.C.A. 65-4-109?

Response: No.

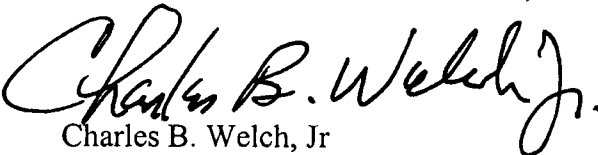
10. **Request:** Does the Company intend for its CCN to be an exclusive grant of Authority to provide service to the customers in this area?

Response: No.

Thank you for your assistance regarding this matter. If you have any questions, or if I may be of further assistance, please do not hesitate to contact me.

Very truly yours,

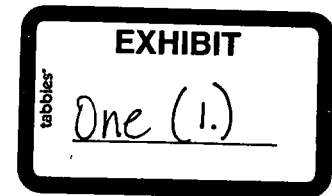
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Petition of a Wastewater Company, IRM Utility, Inc.,
for a
Certificate of Public Convenience and Necessity
for an Investor Owned Utility

Pro Forma Financial Statements
Residential Service for Emory Pointe
Roane County



<u>Account No.</u>	<u>Account Description</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
521 1	Flat Rate Revenue - Residential Revenues	\$ 210	\$ 2,866	\$ 6,990
530 1	Guaranteed Revenues - Sewer Access Fees	5,292	4,872	4,032
536 1	Other Wastewater Revenues - Tap Fees	3,750	10,000	12,500
536 2	Other Wastewater Revenues - Deposits	180	600	600
400	Operating Revenues	9,432	18,338	24,122
711 6	Sludge Removal Expense - Treat & Disposal	-	-	-
715 3	Purchased Power	106	181	181
720 4	Materials and Supplies - Pumping Expenses Mntce	424	444	464
731 3	Contractual Services - Engineering (Pumping Exp)	1,060	1,102	1,147
732 8	Contractual Services - Accounting	292	-	-
733 8	Contractual Services - Legal	208	-	-
734 3	Contractual Services - Management Fees	660	1,130	1,150
734 5	Contractual Services - Testing	466	932	932
734 8	Contractual Services - Management Fees	467	820	840
736 1	Contractual Services - Other (Tap Fee Inspections)	3,750	10,000	12,500
736 2	Contractual Services - Other (Refund Tap Fees to Developer)	-	1,800	4,050
736 3	Contractual Services - Other	350	600	600
759 8	Insurance - Other (Bonding Cost)	425	650	650
775 5	Miscellaneous Expenses - Treat & Disposal	52	54	58
775 8	Miscellaneous Expenses - A&G	25	25	25
401	Operating Expenses	8,285	17,738	22,597
408 13	Taxes Other than Income - Other Taxes and Licenses	200	200	1,409
409 10	Income Taxes - Utility Operating Income	62	26	8
	Total Taxes and License Fees	262	226	1,416
26	Net Operating Income	\$ 886	\$ 374	\$ 109
27	Cumulative Net Operating Income	\$ 886	\$ 1,260	\$ 1,369

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
<u>Tax Calculation</u>			
<u>Ad valorem tax</u>			
Appraised property value (water treatment facilities)	\$0	\$0	\$204,750
Assessment ratio	40%	40%	40%
Assessed value	\$ -	\$ -	\$ 81,900
2003 Roane County tax rate (no city rates apply)	1 45	1 45	1 45
Ad valorem tax	\$ -	\$ -	\$ 1,188
<u>Franchise tax</u>			
Outstanding capital stock, surplus, and profits	\$ -	\$ 20,000	\$ 20,000
State of Tennessee franchise tax rate	0 25	0 25	0 25
Franchise tax (minimum of \$100)	\$ 100	\$ 100	\$ 100
<u>Excise tax</u>			
Operating income before excise tax	\$ 947	\$ 400	\$ 117
Excise tax rate	6 5%	6 5%	6 5%
Excise tax	\$ 62	\$ 26	\$ 8
<u>Tennessee Regulatory Assessment Fee</u>			
0 5% of gross receipts or \$100 minimum	\$ 100	100	121
Total Taxes	\$ 262	\$ 226	\$ 1,416

**Petition of a Wastewater Company, IRM Utility, Inc.,
for a
Certificate of Public Convenience and Necessity
for an Investor Owned Utility**

**IRM Utility, Inc.
Pro Forma Balance Sheets**

<u>Line No.</u>	<u>Description</u>	<u>As of Dec 31, 2003</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
<u>Assets:</u>					
131 2	Cash on hand	60	568	642	451
135	Temporary Cash Investments	45,855	38,000	28,000	18,000
141	Customer Accounts Receivable	1,310	500	800	1,100
162	Prepayments	-	1,000	1,000	1,000
	Total current assets	47,225	40,068	30,442	20,551
101	Utility Plant in Service	-	-	-	210,000
108	Accumulated Depreciation of Utility Plant in Service	-	-	-	(5,250)
271	Contributions in Aid of Construction	-	-	-	(210,000)
272	Accumulated Amortization of Contributions in Aid of Construction	-	-	-	5,250
186	Miscellaneous Deferred Debits	-	3,000	3,000	3,000
	Total Assets	\$ 47,225	\$ 43,068	\$ 33,442	\$ 23,551
<u>Liabilities and Stockholders' Equity:</u>					
<u>Liabilities</u>					
231	Accounts payable	1,074	1,000	1,000	1,000
224	Long-term debt	44,969	35,000	25,000	15,000
	Total liabilities	46,043	36,000	26,000	16,000
<u>Stockholders' Equity</u>					
201	Common stock, par value \$100	1,000	1,000	1,000	1,000
211	Additional paid-in capital	-	5,000	5,000	5,000
215	Retained earnings (beginning of period)	-	182	1,068	1,442
	Current period net income of commercial properties	182	886	374	109
215	Retained earnings (end of period)	182	1,068	1,442	1,551
	Total stockholders equity	1,182	7,068	7,442	7,551
	Total Liabilities and Stockholders' Equity	\$ 47,225	\$ 43,068	\$ 33,442	\$ 23,551

IRM Utility, Inc.
Response to the Staff of the Tennessee Regulatory Authority Data Request
Question 1
Page 1

1. Provide support for the amounts referenced in the financial statements.

Account #521.1 – Flat Rate Revenue – Residential Revenues

This account represents the monthly service fee of \$34.95 per customer. We have projected that 3 customers will be serviced by December 31, 2004, 11 customers served by December 31, 2005, and 21 customers served by December 31, 2006.

Account #530.1 – Other Wastewater Revenues – Sewer Access Fee

This account represents the annual \$84 access fee assessed to the developer or lot owner, as applicable. Please see the response to TRA Staff Data Request No. 4.

Account #536.1 – Other Wastewater Revenues – Tap Fees

Please see the response to TRA Staff Data Request No. 5.

Account #536.2 – Other Wastewater Revenues – Deposits

IRM Utility collects a \$60 deposit for each new customer. These amounts would be applied to a customer's final billing if they leave the system.

Account 711.6 – Sludge Removal Expense – Treatment and Disposal

The market value for these services is approximately \$135.00 for septic tank pumping. The septic tank pumping is based upon a 60-month cycle for residential applications and will not come into consideration until after year five.

Account 715.3 – Purchased Power

The Harriman Utility Board provides electric service. It is anticipated that minimal service will be needed to run the small one horsepower pumps during the first three years. The minimum service is \$15.10 monthly for the first 300 Kwh.

Account 720.4 – Materials & Supplies – Pumping Expenses (Maintenance)

IRM Utility, Inc. recognizes the need for on-going maintenance of the system and has estimated the costs for the replacement of pressure sensitive parts, electrical parts, and plumbing (e.g. true union ball valves at \$69.00, check valves at \$29.00, smart filter switches at \$79.00, pump float switches at \$49.00, fuse box switches at \$6.99, gaskets on tank lids at \$8.99, pressure release valves at \$29.00, pipe glues and cements at \$45.00) and many other items. A total of \$424.00 has been budgeted for fatigued items along with minor growth increments of \$20.00 annually.

Account 731.3 – Contractual Services – Engineering Pumping Expenses (Operations)

On a quarterly basis, there will need to be manual operation of the back flush of the drip fields, power washing effluent filters, operation and inspections of the pumps, observations of the dosing cycles of the treatment media, checking timers, and

IRM Utility, Inc.
Response to the Staff of the Tennessee Regulatory Authority Data Request
Question 1
Page 2

recalculating run times based upon actual function. It is estimated that these services will require 4 trips at 4 hours per trip at \$65.00 per hour for a total of \$1,060 00 per year. There is an annual growth factor of 4% assumed for these services.

Account #732.8 – Contractual Services – Accounting (General and Administrative)

This expense represents the allocation of fees for accounting services rendered in support of the Company's Petition for a Certificate of Convenience and Necessity. The balance of cost incurred will be recorded to Account #186 (Miscellaneous Deferred Debits).

Account #733.8 – Contractual Services – Legal (General and Administrative)

This expense represents the allocation of fees for legal services rendered in support of the Company's Petition for a Certificate of Convenience and Necessity. The balance of cost incurred will be recorded to Account #186 (Miscellaneous Deferred Debits).

Account 734.3 – Contractual Services Management Fees Pumping Expense (Operations)

TDEC requires a Grade I, Biological Natural Systems Operator. Mr. William Eaton of Goodlettsville, Tennessee will perform these supervisory services for a fee of \$1130 per year for this system. There is a \$20.00 annual growth added on after the second year. Mr. Eaton is highly qualified with a Grade IV Operators License and over thirteen years of experience.

Account 734.5 – Contractual Services – Testing Treatment and Disposal (Operations)

These charges are for regulatory compliance and analytical costs. Brookside Laboratories is a certified wastewater laboratory and will provide analysis for BOD and NH4-N at a cost of \$18.00 and \$9.00, respectively. Fecal coli form analysis will cost \$40.00. The samples need to be contained in special bottles at \$1.00 per bottle. Mailers and freezer packs are an additional \$2.00 each. The samples will be shipped overnight by Federal Express with an estimated cost of \$28.00, depending upon item weight. Each series of analysis will require a technician 3 hours to travel, package, deliver, and ship samples at a cost of \$135 00. The budgeted cost for these services is \$233.00 per quarter or \$932 00 per year.

Account 734.8 – Contractual Services – Management Fees (General and Administrative)

The assessment of the corporate management fee assessed to each project by IRM Utility, Inc. to cover centralized expenses (e.g. headquarters office, day to day accounting services, purchasing functions, etc.) that benefit all projects.

Account 736.3 – Contractual Services – Other Pumping Expenses (Operations)

The amounts reflect the estimated cost to provide customer support functions including billing and collection. The customer support budget is based upon a labor rate of \$25.00 per hour for 2 hours per month for a total cost of \$600.00 per year.

Account 759.8 – Insurance – Other Bonding Costs (Operations)

IRM Utility, Inc.
Response to the Staff of the Tennessee Regulatory Authority Data Request
Question 1
Page 3

IRM Utility, Inc. recognizes the need for insurance for liability and performance. It is estimated that appropriate policies will be able to be maintained for \$650.00 per year for this project.

Account 775.5 – Miscellaneous Expenses – Treatment and Disposal (Operations)

Miscellaneous items are budgeted for minor expenses of the disposal field including spin filters and carbon filters at \$26.00 per year with modest growth in subsequent years. The manufacturer suggests that the spin filter on the subsurface drip distribution system and the carbon filter on the biofilter be replaced annually. These can be purchased from Zabel Environment Technology of Crestwood, Kentucky. The cost for a spin filter, Item # PDS-SF-RC-75/100 is \$20.95. The cost for a carbon filter, Item # ATS-CF-RC-4.0 is \$5.95. Shipping fees for these items are expected to be nominal.

Account 775.8 – Miscellaneous Expenses – General and Administrative

Estimated cost of office supplies in support of projects (e.g. paper clips, paper, printer cartridges, files, folders, etc.).

Account 401 – Operating Expenses

The sum of the series of 700.xx accounts.

IRM Utility, Inc.
Response to the Staff of the Tennessee Regulatory Authority Data Request
Question 1
Page 4

Account 408.13 – Taxes Other Than Income – Other Taxes and Licenses

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
<u>Ad valorem tax</u>			
Appraised property value of wastewater facilities	\$0	\$0	\$204,750
Assessment ratio	40%	40%	40%
Assessed value	\$0	\$0	\$81,900
2003 Roane County tax rate	1.45	1.45	1.45
Ad valorem tax	\$0	\$0	\$1,188
<u>Franchise tax:</u>			
Outstanding capital stock, surplus, and profits	\$0	\$20,000	\$20,000
Franchise tax rate	0.25	0.25	0.25
Franchise tax allocation for each commercial site	\$100	\$100	\$100
<u>Tennessee Regulatory Assessment Fee:</u>			
0.5% of gross receipts or \$100 minimum	\$100	\$100	\$100
TN environmental fee	\$250	\$250	\$250
Total Account 408.13	\$450	\$450	\$1638

Account 409.10 – Income Taxes – Utility Operating Income

<u>Excise Tax</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
Operating income before excise tax	\$947	\$400	\$117
Excise tax rate	6.5%	6.5%	6.5%
Excise tax	\$62	\$26	\$8